



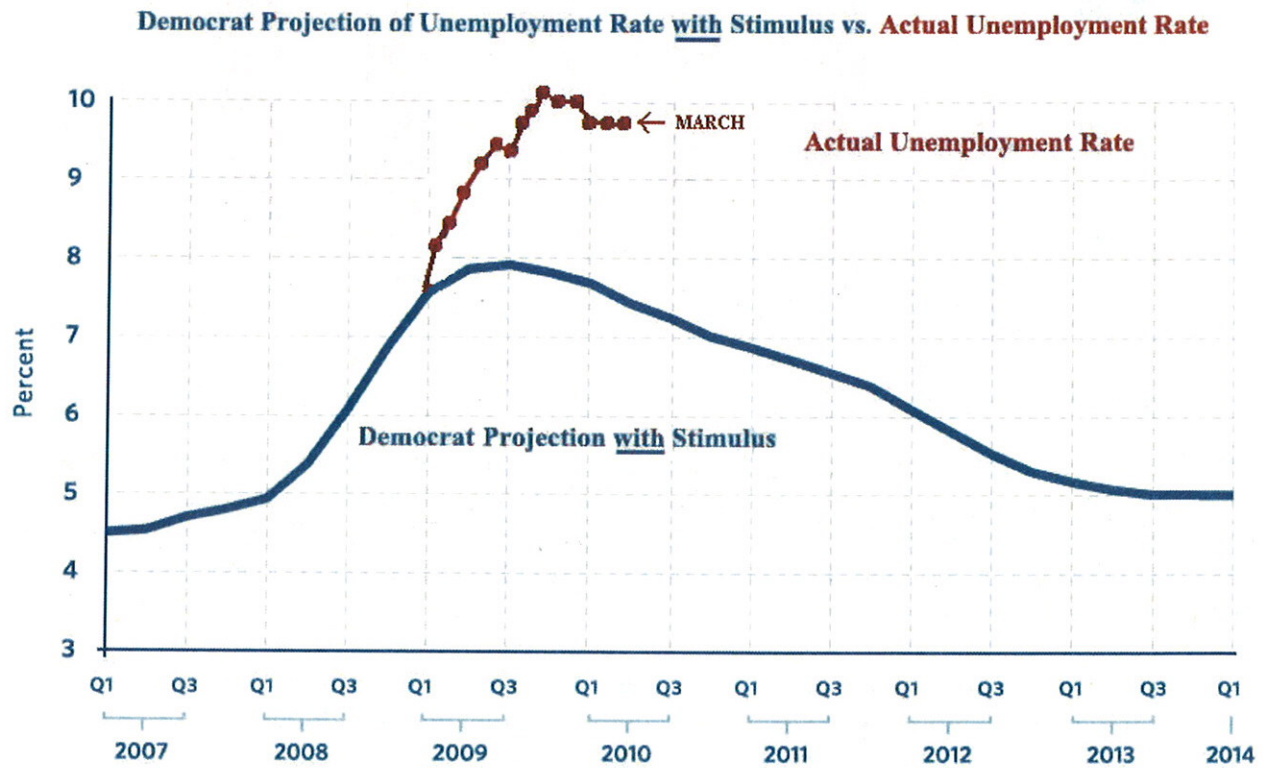
COMMITTEE ON
WAYS & MEANS REPUBLICANS
RANKING MEMBER, DAVE CAMP

OPENING STATEMENT OF RANKING MEMBER JOHN LINDER (R-GA)
SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT
HEARING ON THE SOLVENCY OF STATE UNEMPLOYMENT INSURANCE PROGRAMS
MAY 6, 2010

(REMARKS AS PREPARED)

Today's hearing reviews State unemployment solvency. States are spending and borrowing record amounts to pay promised benefits to a record number of unemployed workers.

Why record unemployment? Because of the failure of Democrats' trillion-dollar stimulus bill to create millions of jobs as promised. Instead of keeping unemployment under 8%, as the Administration projected, it soared to 10%:

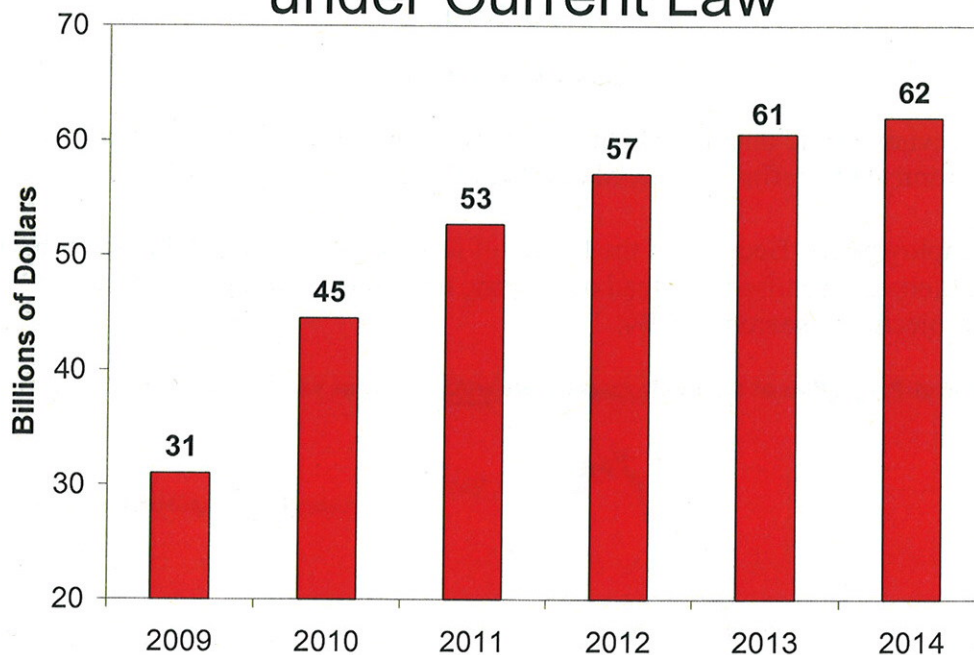


The difference between the unemployment the Administration projected and what actually happened works out to 3.6 million more unemployed Americans today. As a result, the cost of paying State UI benefits has skyrocketed. In the twelve months before the 2009 stimulus, States spent about \$48 billion on UI. In the twelve months following the 2009 stimulus, States spent \$79 billion – \$31 billion more.

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That's just on the State side of the ledger, which is already stoking record State tax hikes. Under current law, due to requirements that taxes rise to keep up with benefit payouts, State unemployment taxes will soar 44 percent this year, and double by 2014:

State UI Taxes to Double by 2014 under Current Law



Source: DOL FY 2011 UI Outlook and Employment and Training Administration

But amazingly, to our Democrat colleagues, these record tax hikes still aren't enough.

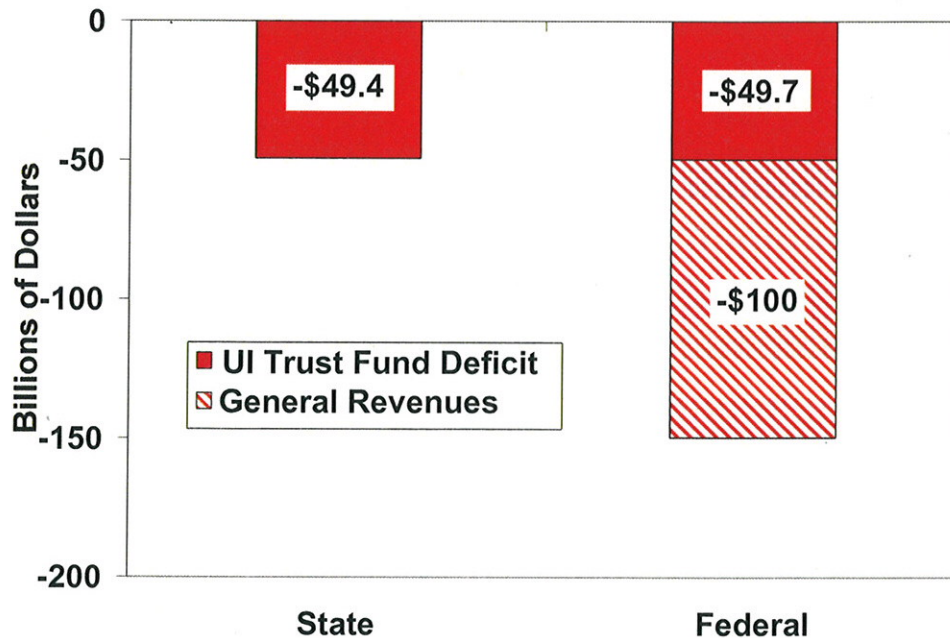
Today Democrats will propose billions of dollars in new Federal and State unemployment taxes. This push for higher unemployment taxes is just the latest example of Democrats' desire to "never let a serious crisis go to waste," as Rahm Emanuel famously said. They will use State insolvency caused by the recession and their failed trillion-dollar stimulus law to argue for even higher Federal and State unemployment taxes, forever.

The Speaker said on Tuesday, yet again, "We are all about jobs." But as Ms. Lee, the Director of Washington State's unemployment agency, testifies today, the burden of higher unemployment taxes "is mostly shifted to workers, particularly low-wage workers, in the form of decreased hiring or reduced fringe benefits or wages." Those tax hikes won't affect the rich – the burden will fall on workers earning just above \$7,000 per year.

Consider what we won't hear much about today – Federal solvency, over which we have direct responsibility. Chairman Levin, discussing in late 2008 the status of Federal unemployment accounts, said the following: "*There are billions and billions of dollars in the trust fund for unemployment comp.... It is very sustainable. That trust fund has more than enough money to pay for the extension.*" Within four months, because Federal trust funds were not sustainable, the stimulus law turned on the general revenue spigot, and we haven't looked back.

This chart compares State and Federal solvency, including the explosion of general revenues used to pay Federal UI benefits in the past year:

Projected UI Trust Fund Balances, End of FY 2010



Source: DOL FY 2011 UI Outlook and Ways and Means Republican Staff Calculations

Federal solvency, properly understood, is far worse than State solvency.

Not only are the Federal trust funds bankrupt for the first time since the early 1990s. But counting \$100 billion in Federal general revenues spent since the 2009 stimulus, the true Federal UI program deficit is \$150 billion through this year. Meanwhile, States' \$50 billion deficit looks almost manageable by comparison.

The simple truth is this system is broke, and broken.

Huge benefit payouts are already yielding massive tax hikes on employers, which will kill jobs and cut wages. We have taken \$100 billion from Federal general revenues, which we have no intention of paying back, adding to Federal debt and income tax hikes ahead. And now Democrats want to increase Federal and State taxes even more, arguing that will somehow help workers.

On behalf of America's workers, I urge our Democrat colleagues to please stop helping while there are still some jobs left.

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